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Message Text

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ORIGIN SS-30

INFO OCT-01 ISO-00 SSO-00 CCO-00 /031 R

DRAFTED BY H:KBJENKINS:CFT
APPROVED BY H:LINWOOD HOLTON
C - MR. SONNENFELDT (DRAFT)
EB:IFD-MR. LINTON
EB:ITP-MR. SCHMIDT
EUR:SOV-MR. KOVNER
EUR-MR. ARMTTAGE (SUBSTANCE)
EXIM BANK-MR.CORETTE(SUBSTANCE)
S/S/ - MR. LUERS
---------- 073602
O 302131Z SEP 74 ZFF4
FM SECSTATE WASHDC
TO USMISSION USUN NEW YORK IMMEDIATE

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EXDIS TOSEC 80

E.O. 11652:N/A
TAGS: OVIP KISSINGER
SUBJECT: EXIM BANK LEGISLATION

1. YOU HAVE HAD BILL CASEY'S LETTER OF SEPTEMBER 26, WHICH MAY RAISE SOME QUESTIONS IN YOUR MIND ABOUT WHERE WE GO FROM HERE.

2. CASEY POINTS OUT THAT WE ACCEPTED A 30-DAY PRE-NOTIFICATION ON WORLD-WIDE MAJOR LOANS IN EXCHANGE FOR JACKSON/STEVENSON ABANDONING THE VETO POWER ON INDIVIDUAL TRANSACTIONS WITH COMMUNIST COUNTRIES. THIS WAS, AS WE REPORTED TO YOU IN OUR MEMORANDUM OF SEPTEMBER 20, THE MOST IMPORTANT ACHIEVEMENT DURING THE SENATE PROCESS.

3. CASEY ALSO POINTS OUT THAT THE $300 MILLION
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LIMITATION ON THE LOANS TO THE SOVIET UNION MIGHT BE

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DROPPED IN CONFERENCE. HOWEVER, HE STATES THAT HE WILL BE NEUTRAL ON THIS AMENDMENT. WE AGREE THAT IT MAY BE DROPPED IN CONFERENCE AND ARE ENCOURAGED BY THE LEADING HOUSE CONFEREE'S (LUD ASHLEY) CONFIDENT SUPPORT. CASEY'S NEUTRALITY IS A REFLECTION OF HIS NEGOTIATIONS WITH THE SENATE COMMITTEE IN WHICH WE UNDERSTAND HE PROMISED NOT TO LOBBY AGAINST THIS ISSUE IN CONFERENCE. WE OF COURSE ARE BOUND BY ANY SUCH ARRANGEMENT. WITH YOUR EXPLICIT TESTIMONY DURING THE SFRC DETENTE HEARING AS A BASE, WE WILL BEAR DOWN ON THIS POINT WITH THE CONFEREES.

CASEY'S SUGGESTED COMPROMISE THAT WE SEEK TO HAVE THE $300 MILLION LIMIT CHANGED TO AN ANNUAL LIMIT, RATHER THAN FOR THE TWO YEAR PERIOD, IS A LAST DITCH FALL BACK WE DON'T THINK WE WILL NEED.

4. CASEY ALSO POINTS OUT THAT THE SENATE VERSION LIMITS THE BANK AUTHORIZATION TO TRANSACT BUSINESS WITH COMMUNIST COUNTRIES TO TWO YEARS, WHILE THE BANK'S GENERAL AUTHORIZATION IS FOR FOUR YEARS. THE SENATE BILL DOES EXCEPT YUGOSLAVIA AND ROMANIA. THE POLISH AMBASSADOR HAS ALREADY EXPRESSED HIS UNHAPPINESS OVER THE ABSENCE OF POLAND. WITH GIEREK COMING NEXT WEEK, THIS COULD BE AN UNTIMELY IRRITATION. HOWEVER, ASHLEY ONCE AGAIN BELIEVES THAT HE CAN KILL THIS ENTIRE AMENDMENT IN CONFERENCE, OR AT LEAST ADD POLAND TO THE EXCEPTED LIST. THUS WE SHOULD BE ABLE TO TAKE CARE OF THIS PROBLEM BEFORE GIEREK ARRIVES.

5. CASEY REMINDS US THAT BOTH BILLS PROHIBIT BANK LOANS TO THE USSR UNTIL THE TRADE REFORM ACT BECOMES LAW. SINCE BOTH HOUSES INCLUDED THIS (KOCH) AMENDMENT, IT IS VIRTUALLY IMPOSSIBLE TO HAVE IT REMOVED IN CONFERENCE. HOPEFULLY THE PASSAGE OF THE TRADE BILL WILL MAKE THIS ACADEMIC. WE WILL AT ANY RATE PROMOTE THE HOUSE COMMITTEE VERSION WHICH WOULD LIMIT THE RESTRICTION TO THE LIFE OF THE PRESENT CONGRESS, I.E. NEXT JANUARY.

6. CASEY DISMISSES THE CHURCH AMENDMENT, WHICH REQUIRES CONGRESSIONAL APPROVAL OF ENERGY RELATED LOANS TO
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COMMUNIST COUNTRIES WITH THE ASSERTION THAT IT WAS ONLY PASSED AS A GESTURE ON THE ASSUMPTION THAT IT WOULD BE DROPPED IN CONFERENCE. WE WILL, OF COURSE, SEEK THIS RESULT AND ASHLEY SHARES OUR GOAL. HOWEVER, IT IS OUR JUDGMENT THAT CONGRESSIONAL HOSTILITY TO MAJOR U.S. CREDITS TO DEVELOP SOVIET ENERGY RESOURCES IS WIDESPREAD AND PROFOUND. WE FEAR, THEREFORE, THAT THE CHURCH AMENDMENT MIGHT STICK, WHICH IN TURN WOULD REQUIRE THAT

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WE SELL ANY SUCH PROJECT TO THE CONGRESS IN ADVANCE.

7. THE CONFERENCE IS NOW SCHEDULED TO OPEN TUESDAY MORNING, OCTOBER L AND SHOULD FINISH WITH EXIM BANK BY THURSDAY. THIS COULD MEAN FINAL CONGRESSIONAL ACTION ON THE BANK BEFORE RECESS, OCTOBER 11. WE WILL MEET IN A LEGISLATIVE STRATEGY MEETING WITH OTHER AGENCIES TODAY. INGERSOLL

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